

INFORMATION

AGENDA ITEM: Access Services: Multitype Pilot Loan Programs

GENERAL OVERALL PROGRAM UPDATES:

COMPENSATION MODEL FOR LOAN TRANSACTIONS:

In February 2000, the Board received the final report of a study by Himmel and Wilson Consultants which compared California library loan environment with programs in other states and concluded that the CLSA loan compensation model was the best in the nation and should be expanded to include all types of libraries under the Library of California.

The State Library then hosted a focus group in May, led by Joan Frye Williams, which examined the Himmel and Wilson report and then offered some potential alternatives to what has been the standard loan compensation procedure during the past twenty years. The library community was solicited two times for comments and feedback on the focus group's work; the Board reviewed the field comments at its August and November meetings in 2000. Although there was some interest in considering other compensation models, there was minimal discussion of what those models might be and how they could be equitably implemented.

Based on those written comments, in addition to oral comments given before the Board and in the field, staff has been working on a proposed loan compensation model to be presented to the Board. This would remain a proposed model until any additions or revisions to existing statute and regulations have been promulgated. The current Library of California law regarding loans is in Exhibit D; current Library of California regulations regarding loans are in Exhibit E.

Staff has been considering the following concepts in developing a loan compensation model:

Concepts which would not necessarily require further potential rulemaking:

- Libraries must be members (or participating libraries of members) of the Library of California to receive loan compensation.
- Libraries will be compensated for loans only to other member libraries (or users of other member libraries) of any Library of California regional network.
- The basis for interlibrary loan compensation will be the handling and delivery cost of the loan transaction.

- The Library of California loan compensation model will apply to all types of libraries – academic, public, school, special – and will replace the CLSA loan reimbursement model when the CLSA loan reimbursement programs have transitioned into the Library of California loan programs.
- In order to receive compensation, libraries will not be able to charge handling fees for loaning materials to other Library of California members.

Concepts which would require additional rulemaking:

- A loan transaction must be initiated by a patron request in order to be eligible for compensation.
- Libraries receiving other state-funded compensation for interlibrary loan and direct loan transactions may not claim compensation from the Library of California.
- An interlibrary loan transaction must include the transmission of library material from one physical site to a different physical site across public roads.
- The transmission of circuits and rotations of blocks of collections – large print materials, videos, etc. – from one library to the next is an activity not eligible for loan compensation.
- Cash is the preferable form of compensation. Compensation of some other type may be offered as an option to receiving a cash payment.
- Depending on the outcome of the handling cost study, compensation rates may not be equal for different types of libraries and institutions.

There has been some interest from the focus group and the field in other concepts related specifically to direct loan compensation, including:

Concepts which potentially could require additional or revised regulations:

- Providing a base level of compensation for all direct loan program participants.
- Recognizing the efforts of “top tier” direct loan lenders.
- Compensating all direct loan transactions among Library of California members, rather than net transactions.
- A direct loan question, not a concept at this point, involves joint-use or shared facilities, where different types of libraries occupy the same physical facility. Will loans to the primary clientele of one type of library from a different type of library be

eligible for direct loan compensation? For example, when the San Jose State University-San Jose Public Library joint main facility is operational, will loans to San Jose Public Library patrons from the University Library be eligible for direct loan compensation?

The current regulations for direct loan require compensation for all direct loan transactions between different kinds of libraries and institutions, but only net loan transactions between libraries of the same type. It is true that the current regulations allow all libraries that engage in direct loan transactions with more than one type of library to receive some level of compensation regardless of their net status as a lender or borrower, but it is debatable whether this could be considered a base compensation. Likewise, it could be argued that the current Library of California regulations in effect do recognize top-tier lenders by only compensating net loan transactions among same-type libraries, but the validity of that position is open to question. What is definite is that the current Library of California regulations do not allow all direct loan transactions to be compensated, and that to include this concept in the proposed model would definitely require a revision of the existing regulations established by the Board in 2000.

Staff requests guidance from the Board in developing the compensation model for Library of California interlibrary loan and direct loan transactions, including whether there should be additional and/or revised regulatory language.

In addition, staff originally intended to bring the following question to the Board:

Beginning July 1, 2001, should libraries participating in the Interlibrary Loan Pilot Program receive compensation for interlibrary loan transactions with other Library of California members or, should participants be compensated for interlibrary loan transactions with all libraries, regardless of membership status? Pros and cons of the issue include:

Pros:

- If the Board does set policy requiring Library of California membership *for both lender and borrower* in an interlibrary loan transaction in order for compensation to be paid, the pilot program will be in compliance with existing Library of California regulations.
- As a statewide program, the pilot program also would be in accordance with the provision of state-funded regional network services, which are limited to members of the network.

Cons:

- It will require additional record-keeping and reporting for pilot program participants to claim only ILL transactions to other Library of California members.
- Participating libraries may need more lead time (beyond July 1, 2001) to configure their circulation systems and adjust operating procedures in order to claim only interlibrary loans to other Library of California members.
- At this time public libraries continue to be compensated for eligible loan transactions through the CLSA program. Public libraries receive compensation for ILL transactions not eligible under CLSA – primarily loans to government and for-profit libraries – through the Library of California. Public libraries reimbursed through CLSA for interlibrary loans are not required to claim only transactions with Library of California members. Requiring non-public libraries to do so will upset the equality that currently exists whereby all libraries, public and non-public, follow the same interlibrary loan compensation guidelines.

However, the Deputy State Librarian has advised staff that the current regulations in force must be followed and cannot be treated as placeholders until revised regulations are promulgated. Therefore it appears that all libraries receiving loan compensation from the Library of California shall be compensated only for loans to other members. Obviously this will require an up-to-date roster of Library of California members, which staff will soon be mounting on the Web. Since the Board has already set policy in accordance with existing statute and law, that libraries must be members in order to participate in the Interlibrary Loan Pilot Program effective July 1, 2001 (see Exhibit A), that date also could be used to require borrowing libraries to be members in order to receive compensation. If necessary, the Board could take action on this issue at its April 2001 meeting.

In a related issue, staff believes that all non-public libraries must be participants in the Library of California Interlibrary Loan Pilot Program in order to receive state compensation for interlibrary loan transactions. When the pilot program was implemented in the Spring of 1999, all non-public libraries that had been receiving ILL reimbursements from the CLSA program were notified that they would be transferred to the Library of California pilot program effective July 1999. Since that date all non-public ILL transaction claims have been paid from Library of California funds. The Library of California Act (Education Code, Section 18870 (c)) stipulates that “...During the transition period this chapter shall control in case of conflicts between this chapter and the California Library Services Act.” Staff believes that with the implementation of the Interlibrary Loan Pilot Program in 1999 and the Board policy requiring Library of California membership as a prerequisite for participation in the program, non-public libraries must participate in the Library of California Interlibrary Loan Pilot Program in order to be compensated for ILL transactions. As noted above, this will upset the equality that currently exists whereby all libraries, public and non-public, follow the same

interlibrary loan compensation guidelines. Staff has asked counsel for an opinion on this issue.

ADDITIONAL INFORMATION REGARDING THE INTERLIBRARY LOAN PILOT PROGRAM

Exhibit B contains fiscal year 2000/2001 second quarter statistics for the pilot program as well as the usual summary.

Exhibit C is a revised, simplified application packet for participation in the Interlibrary Loan Pilot Program. Both the instructions and the application are on the Library of California Web site.

HANDLING COST STUDY

As this report is being written, staff is preparing the Request for Proposal to be issued for a new study of handling costs of completing interlibrary loan and direct loan requests, and is working with the State Library's Business Services Office in constructing the bid invitation and determining the best approach for issuing the RFP. This cost study will apply to all types of libraries and will assist in facilitating the transition from the CLSA loan programs to the Library of California loan programs. Staff will present more information at the February 2001 Board meeting.

RELATED ISSUES TO COME BEFORE THE BOARD IN THE FUTURE:

1. What funding formulas are appropriate for the loan components of Library of California access services?
2. What onsite, patron referral services should be supported under the Library of California, and what funding formulas are appropriate?
3. How will electronic direct access services be defined, authorized, delivered, and funded?

Relevant Committee: Access Services
Staff Liaison: Tom Andersen

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